

China marketizes the loan interest rates offered by its financial institutions

Description

China Cabinet headed by premier Li Ke Qiang has approved the full deregulation on the restriction on interest rates on loans extended by its financial institutions.

1. remove the lower limit of seventy percent interest rate on loans, and allow financial institutions to determine the loan interest rate pursuant to business principles;
2. remove the control and limitation on discount rate of commercial papers, stopping the practice of determining discount rate by adding certain points on the re-discount rate, and allowing financial institutions to determine discount rate on their own.
3. remove the upper limit on interest rate on loans extended by rural credit cooperatives.
4. in order to continue to implement the policy of differentiated house mortgage loans and boost the healthy development of real estate market, the floating band/range of interest rate on personal house mortgage loans remains in place without changes.

After the deregulation, financial institutions will have more room in negotiating loan prices with their customers which is conducive to prompting financial institutions to adopt differentiated pricing strategy and to lowering the financing cost of enterprises and other benefits.

Date Created

July 20, 2013

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